

State of Missouri  
Office of Secretary of State

Case No. AP-10-39

IN THE MATTER OF:

PIKE FINANCIAL GROUP, LLC; and  
FRED TEPEN, CRD #2140017

Respondents.

Serve: Pike Financial Group, LLC at:  
10547 U.S. Highway 54  
Bowling Green, Missouri 63334

Serve: Fredrick Tepen at:  
10547 U.S. Highway 54  
Bowling Green, Missouri 63334

**ORDER TO CEASE AND DESIST AND ORDER TO SHOW  
CAUSE WHY CIVIL PENALTIES AND COSTS SHOULD NOT  
BE IMPOSED**

On December 9, 2010, the Enforcement Section of the Securities Division of the Office of Secretary of State (the "Enforcement Section"), through the Securities Division's Chief Enforcement Counsel, Nathan Soendker, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Civil Penalties and Costs Should Not Be Imposed. After reviewing the petition, the Commissioner issues the following findings of fact, conclusions of law and order:

**I. FINDINGS OF FACT**

1. Respondent Fredrick Tepen ("Tepen") is an individual with a last known home address of 10547 U.S. Highway 54, Bowling Green, Missouri 63334. Tepen is registered through the Central Registration Depository System ("CRD") with number 2140017. At no point was Tepen registered in Missouri as an agent or an investment adviser representative.
2. On February 26, 2003, Respondent Pike Financial Group ("Pike") was formed by Tepen and was incorporated in the State of Missouri as a limited liability company. The Articles of Organization state that Pike was created to engage in activities, including but not limited to, any lawful business in which a limited liability company may be organized. Pike has a last known address of 10547 U.S. Highway 54, Bowling Green, Missouri 63334.
3. As used herein, the term "Respondents" refers to Pike and Tepen.
4. A seventy-two (72) year old resident of Bowling Green, Missouri ("MR1"), who had

known Tepen for many years prior, invested twenty-five thousand dollars (\$25,000) with Respondents.

5. In an interview with the Enforcement Section, MR1 stated, among other things, that:
  - a. MR1 believed the money would be used by Respondents to invest in soybean futures;
  - b. MR1 would receive a guaranteed twenty percent (20%) return;
  - c. MR1 trusted Mr. Tepen because they had grown up together in the same small town; and
  - d. Tepen signed documents outlining each investment that MR1 made.
6. On or around October 25, 2004, and October 20, 2005, MR1 received checks in the amount of two thousand five hundred dollars (\$2,500). The checks were signed by Tepen from an account ending with 4112 from Perry State Bank ("Perry SB"). The account is in the name of Tepen and his wife.
7. On or around October 4, 2006, MR1 received a check in the amount of two thousand five hundred dollars (\$2,500). The check was signed by Tepen from an account ending 4259 from Peoples State Bank ("Peoples SB"). The account is in the name of Pike, Tepen, and his wife.
8. After receiving the three checks, MR1 invested an additional eighteen thousand dollars (\$18,000) with Respondents.
9. On October 20, 2006, Tepen issued a check to MR1 in the amount of thirty-seven thousand dollars (\$37,000). MR1 believed this amount represented the remaining amount due. The check was signed by Tepen from the Peoples SB account ending 4259. There were insufficient funds in the account to cover the check.
10. Since October 20, 2006, MR1 has not received any additional return from MR1's investment with Respondents.
11. From October 16, 2003, to May 22, 2004, a sixty-two (62) year old resident of Bowling Green, Missouri ("MR2"), who had been friends with Tepen since grade school, invested in excess of seventy-nine thousand dollars (\$79,000) with Respondents.
12. From on or around October 16, 2003, to on or around May 22, 2004, MR2 invested with Respondents on at least four (4) separate occasions in amounts ranging from five thousand dollars (\$5,000) to fifty-three thousand dollars (\$53,000). According to MR2, the monies invested would be used by Respondents to invest in commodities. At the time the investments were made, MR2 did not receive any documentation or receive a promissory note reflecting the terms of investments.
13. In or around March 2008, MR2 requested a promissory note from Tepen. MR2 received a promissory note, which stated, among other things, that:
  - a. Path of Holiness Trust, of which MR2 was referred to in the promissory note as

being a manager, would receive the principal sum of one hundred two thousand two hundred thirty-six dollars and ninety cents (\$102,236.90) with interest at seven and a half percent (7.5%);

- b. the amount was payable on June 1, 2009; and
  - c. if the promissory note went into default, the interest rate would increase to twelve percent (12%).
14. To the best of the Enforcement Section's knowledge, the principal and interest have not been paid in accordance with the terms of the promissory note.
15. From July 26, 2007, to December 12, 2007, a fifty-seven (57) year old resident of Bowling Green, Missouri ("MR3") invested with Respondents on multiple occasions in an amount totaling twenty-four thousand seven hundred dollars (\$24,700). Each investment was evidenced by separate documentation which was presented to MR3 at the time of investment and which was written on Pike letterhead and signed by Tepen.
16. On March 10, 2008, Tepen signed a check to MR3 from an account ending 9508 at Community State Bank ("Community SB"). The check was written in the amount of twenty-eight thousand two hundred dollars (\$28,200). When MR3 tried to deposit the check, the check was returned for insufficient funds. On or around the time the check was presented to MR3, the balance of the Community SB account was approximately one hundred sixty-three dollars and sixty-two cents (\$163.62).
17. During an interview with the Enforcement Section, MR3 stated, among other things, the following:
- a. Tepen promised to pay the money back with interest in a short period of time;
  - b. Tepen told MR3 that Pike was to use the money for legal fees and other expenses as Tepen was selling the business;
  - c. MR3 trusted Tepen because they had been friends for a long time;
  - d. Since 2008, Tepen has told MR3 on multiple occasions that MR3's investment would be paid back to MR3 within a short amount of time;
  - e. Tepen told MR3 that the reason MR3 has not been repaid was because Respondents have not received the money from a foreign investor; and
  - f. Tepen never told MR3 who the foreign investor was or where the foreign investor was located.
18. MR3 has not received any return on the investments made.
19. From May 15, 2006, to August 1, 2007, a fifty-nine (59) year old resident of Jefferson City, Missouri ("MR4"), invested sixty-three thousand dollars (\$63,000) with Respondents.
20. During that period, MR4 made at least twelve (12) separate investments ranging from one thousand dollars (\$1,000) to eighteen thousand dollars (\$18,000).

21. MR4 received promissory notes on at least two occasions, which indicated, among other things, that:
  - a. the principal would be repaid; and
  - b. MR4 would receive ten percent (10%) interest per annum.
22. On or around June 28, 2006, MR4 was emailed a copy of a business plan for Pike. Tepen said he and his son drafted the document titled “Pike Financial Group, LLC Operating Agreement” (“business plan”). The draft has a date of September 3, 2003. The business plan stated, among other things, that:
  - a. “the purpose for which [Pike] is organized shall be to serve as the manager of and investment adviser to pooled investment entities . . . .;”
  - b. Pike would be managed by Tepen; and
  - c. “Teppen [*sic*] shall receive in exchange for his services as Manager, compensation equal to \$2,000 per week.”
23. On or around June 28, 2006, MR4 was given a document entitled the “Adam Trading System” (“Adam System”). This document stated, among other things, that:
  - a. Pike developed a commodities trading system (Adam System) capable of outperforming most investment vehicles on the market; and
  - b. the Adam System was used over an eleven year period posting a best year-to-year return of “a remarkable 200 percent” while in the most “humble year” posting a 60 percent return.
24. During an interview with members of the Enforcement Section, MR4 stated, among other things, the following:
  - a. MR4 and Tepen had been friends since college;
  - b. MR4 believed the money would be used to pay legal fees and expenses for Tepen to get the business started;
  - c. MR4 believed that all investments were on the same terms and he did not ask for any paperwork because he “trusted Tepen;”
  - d. it was MR4’s understanding that the Adam System would remove “the emotional aspect of investing in commodities” to help investors reach a high return on investments in commodities; and
  - e. that MR4 has never received any return on the investments made with Tepen.
25. Based on information obtained by the Enforcement Section, Respondents used investor funds for, among other things, cash withdrawals, payments to members of Tepen’s immediate household and payments on personal credit cards.
26. The Enforcement Section was unable to find any evidence which would indicate that

investor funds were used for the purpose of purchasing or trading in commodities.

## **II. STATUTORY PROVISIONS**

27. Section 409.6-601(a), RSMo. (Cum. Supp. 2009), provides that the Missouri Securities Act of 2003 “shall be administered by the commissioner of securities . . . .”
28. Section 409.1-102(1), RSMo. (Cum. Supp. 2009), defines “Agent” as “an individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities or represents an issuer in effecting or attempting to effect purchases or sales of the issuer’s securities. But a partner, officer, or director of a broker-dealer or issuer, or an individual having a similar status or performing similar functions is an agent only if the individual otherwise comes within the term. The term does not include an individual excluded by rule adopted or order issued under this act.”
29. Section 409.1-102(26), RSMo. (Cum. Supp. 2009), defines “Sale” to include “every contract of sale, contract to sell, or disposition of, a security or interest in a security for value.” That same section defines “offer to sell” as “every attempt or offer to dispose of, or solicitation of an offer to purchase, a security or interest in a security for value.”
30. Section 409.1-102(28), RSMo. (Cum. Supp. 2009), defines “Security” as “a note; stock; treasury stock; security future; bond; debenture; evidence of indebtedness; certificate of interest of participation in a profit-sharing agreement; collateral trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting trust certificate; certificate of deposit for a security; fractional undivided interest in oil, gas, or other mineral rights; put, call, straddle, option, or privilege on a security, certificate of deposit, or group or index of securities, including an interest therein or based on the value thereof; put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency; or in general, an interest or instrument commonly known as a “security”; or a certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.”
31. Section 409.3-301, RSMo. (Cum. Supp. 2009), states:

It is unlawful for a person to offer or sell a security in this state unless:

  - (1) The security is a federal covered security;
  - (2) The security, transaction, or offer is exempted from registration under sections 409.2-201 to 409.2-203; or
  - (3) The security is registered under this act.
32. Section 409.5-501, RSMo. (Cum. Supp. 2009), states:

It is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly:

- (1) To employ a device, scheme, or artifice to defraud;
- (2) To make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it is made, not misleading;  
or
- (3) To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

33. Section 409.6-604, RSMo. (Cum. Supp. 2009), states:

(a)

If the commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of this act or a rule adopted or order issued under this act or that a person has materially aided . . . an act, practice or course of business constituting a violation of this act . . . the commissioner may:

(1)

Issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with this act.

. . .

(b)

An order under subsection (a) is effective on the date of issuance. Upon issuance of the order, the commissioner shall promptly serve each person subject to the order with a copy of the order and a notice that the order has been entered. The order must include a statement whether the commissioner will seek a civil penalty or costs of the investigation, a statement of the reasons for the order, and notice that, within fifteen days after receipt of a request in a record from the person, the matter will be scheduled for a hearing. If a person subject to the order does not request a hearing and none is ordered by the commissioner within thirty days after the date of service of the order, the order becomes final as to that person by operation of law. If a hearing is requested or ordered, the commissioner, after notice of and opportunity for hearing to each person subject to the order, may modify or vacate the order or extend it until final determination.

(c)

If a hearing is requested or ordered pursuant to subsection (b), a hearing before the commissioner must be provided. A final order may not be issued unless the commissioner makes findings of fact and conclusions of law in a record in accordance with the provisions of chapter 536, RSMo, and procedural rules promulgated by the commissioner. The final order may make final, vacate, or modify the order issued

under subsection (a).

(d)

In a final order under subsection (c), the commissioner may:

(1)

Impose a civil penalty up to one thousand dollars for a single violation or up to ten thousand dollars for more than one violation;

...

(e)

In a final order, the commissioner may charge the actual cost of an investigation or proceeding for a violation of this act or a rule adopted or order issued under this act. These funds may be paid into the investor education and protection fund.

...

### **III. CONCLUSIONS OF LAW**

#### **Multiple Violations of Offering and Selling Unregistered, Non-Exempt Securities**

34. Paragraphs 1 through 33 are incorporated by reference as though fully set forth herein.
35. Respondents offered and sold a security as those terms are defined in Sections 409.1-102(26) and (28), RSMo. (Cum. Supp. 2009).
36. At all times relevant, records maintained by the Commissioner of Securities contained no registration, granted exemption, or notice filing indicating status as a “federal covered security” for the investments offered and sold by Respondents.
37. Respondents violated Section 409.3-301, RSMo. (Cum. Supp. 2009), when they offered and sold securities in Missouri without the securities being (1) a federal covered security, (2) exempt from registration under Sections 409.2-201 or 409.2-202, RSMo. (Cum. Supp. 2009), or (3) registered under the Missouri Securities Act of 2003.
38. Respondents’ actions in offering or selling securities that were not registered, exempt or a federal covered security constitute an illegal act, practice, or course of business and thus such actions are subject to the commissioner’s authority under Section 409.6-604, RSMo. (Cum. Supp. 2009).

#### **Multiple Violations of Making an Untrue Statement or Omitting to State Material Facts in Connection with the Offer or Sale of a Security**

39. Paragraphs 1 through 33 are incorporated by reference as though fully set forth herein.
40. In connection with the offer, sale or purchase of a security, Respondents omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, the following:
- a. that the securities offered or sold were not registered;
  - b. the risks associated with the investment;
  - c. how the proceeds would be used; or
  - d. that investors' money would be used to pay personal expenses of Tepen.
41. In connection with the offer and/or sale of securities in Missouri, Respondents made the following untrue statements:
- a. there would be a guaranteed return;
  - b. interest on invested funds would be paid to the investor;
  - c. invested funds would be used for the start-up expenses of Pike;
  - d. invested funds would be used by Pike to invest in commodities; or
  - e. the return of investor funds was dependent on the sale of the business or a foreign investor.
42. Respondents violated Section 409.5-501, RSMo. (Cum. Supp. 2009), when, in connection with the offer, sale or purchase of a security, they made misleading statements and omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading.
43. Respondents' actions in making misleading statements and omitting to state material facts constitute illegal acts, practices, or courses of business and thus such actions are subject to the commissioner's authority under Section 409.6-604, RSMo. (Cum. Supp. 2009).
44. This order is in the public interest and is consistent with the purposes of the Missouri Securities Act of 2003. See Section 409.6-605(b), RSMo. (Cum. Supp. 2009).

#### **IV. ORDER**

**NOW, THEREFORE**, it is hereby ordered that Respondents, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order be prohibited from:

- A. violating or materially aiding in any violation of Section 409.3-301, RSMo. (Cum. Supp. 2009) by offering or selling any securities as defined by Section 409.1-102(28), RSMo. (Cum. Supp. 2009), in the State of Missouri unless those securities are



registered with the Securities Division of the Office of the Secretary of State in accordance with the provisions of Section 409.3-301; and

- B. violating or materially aiding in any violation of Section 409.5-501, RSMo. (Cum. Supp. 2009), by, in connection with the offer or sale of securities, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make statements made, in light of the circumstances under which they were made, not misleading.

**IT IS FURTHER ORDERED** that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2009), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against each Respondent for multiple violations of Section 409.3-301, RSMo. (Cum. Supp. 2009), in a final order, unless Respondents request a hearing and show cause why the penalty should not be imposed.

**IT IS FURTHER ORDERED** that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2009), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of civil penalties of up to ten thousand dollars (\$10,000) against each Respondent for multiple violations of Section 409.5-501(2), RSMo. (Cum. Supp. 2009), in a final order, unless Respondents request a hearing and show cause why the penalty should not be imposed.

**IT IS FURTHER ORDERED** that, as the Enforcement Section has petitioned for an award for the costs of the investigation against Respondents in this proceeding, the commissioner will issue a final order, pursuant to Section 409.6-604(e), RSMo. (Cum. Supp. 2009), awarding an amount to be determined after review of evidence submitted by the Enforcement Section, unless Respondents request a hearing and show cause why such award should not be made.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,  
MISSOURI THIS 15<sup>TH</sup> DAY OF DECEMBER, 2010.

ROBIN CARNAHAN  
SECRETARY OF STATE

(Signed/Sealed)  
MATTHEW D. KITZI  
COMMISSIONER OF SECURITIES



State of Missouri  
Office of Secretary of State

Case No. AP-10-39

IN THE MATTER OF:

PIKE FINANCIAL GROUP, LLC; and  
FRED TEPEN.

Respondents.

Serve: Pike Financial Group, LLC at:  
10547 U.S. Highway 54  
Bowling Green, Missouri 63334

Serve: Fredrick Tepen at:  
10547 U.S. Highway 54  
Bowling Green, Missouri 63334

## NOTICE

**TO: Respondents and any unnamed representatives aggrieved by this Order:**

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to Section 409.6-604(b), RSMo. (Cum. Supp. 2009), and 15 CSR 30-55.020.

Within fifteen (15) days after receipt of a request in a record from a person or persons subject to this order, the Commissioner will schedule this matter for a hearing.

A request for a hearing must be mailed or delivered, in writing, to:

**Matthew D. Kitzi, Commissioner of Securities**  
**Office of the Secretary of State, Missouri**  
**600 West Main Street, Room 229**  
**Jefferson City, Missouri, 65102.**

## CERTIFICATE OF SERVICE

I hereby certify that on this 15<sup>th</sup> day of December, 2010, a copy of the foregoing Order and Notice in the above styled case was **mailed by Certified U.S. mail to:**

Pike Financial Group, LLC  
105647 U.S. Highway 54  
Bowling Green, MO 63334

Fred Tepen  
105647 U.S. Highway 54  
Bowling Green, MO 63334

**And hand delivered to:**

Nathan Soendker  
Chief Enforcement Counsel  
Securities Division

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John Hale  
Specialist